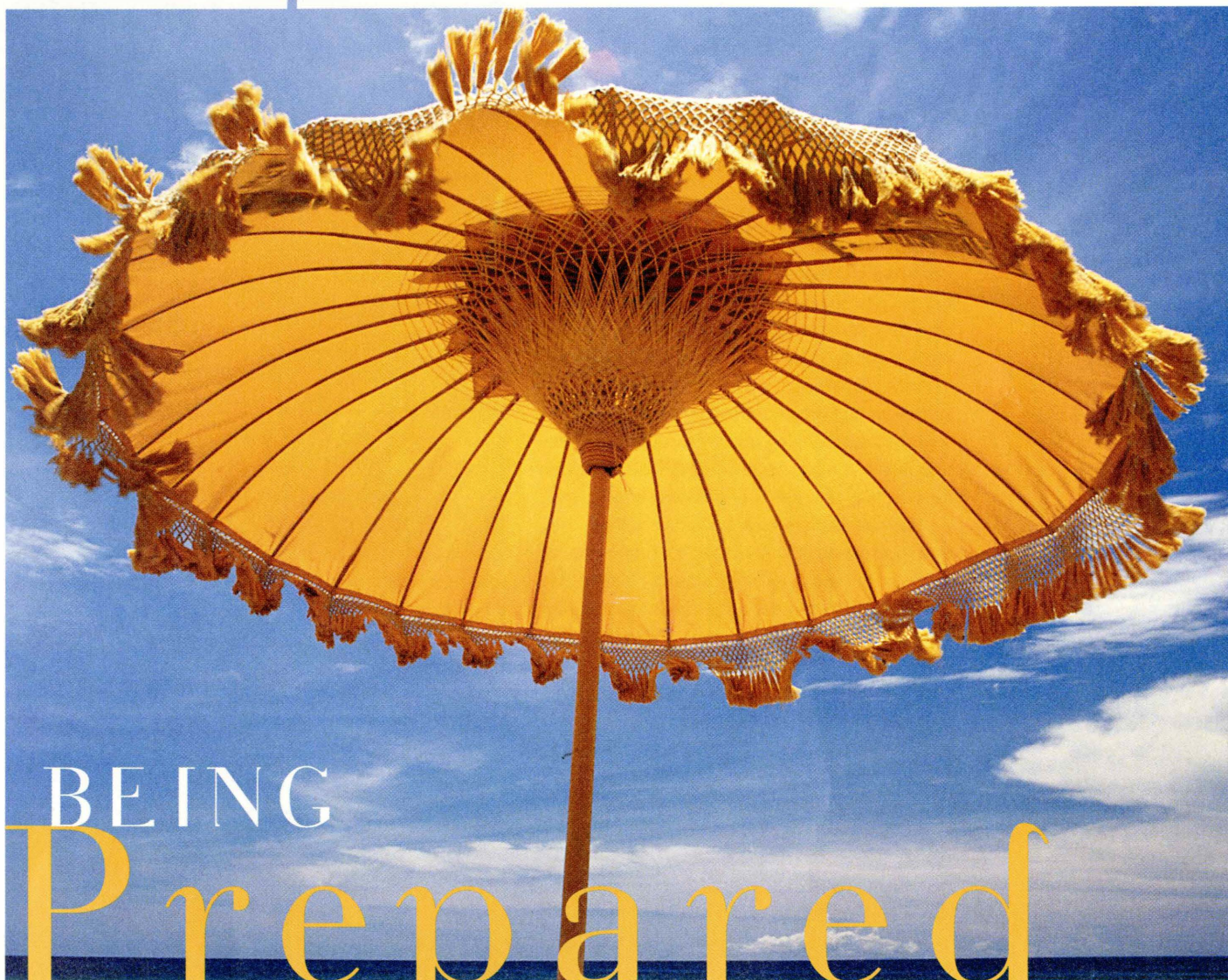


perspectives

SUMMER 1999

to view the contribution of your work in a larger framework



BEING Prepared

LAYING THE
FOUNDATION
FOR FUTURE
SUCCESS



**BlueCross BlueShield
of Florida**

An Independent Licensee of the
Blue Cross and Blue Shield Association

PLANNING, PREPARATION & Progress

FLORIDA SUMMERS DEMAND NOTHING IF NOT PREPARATION. BEYOND A good sunscreen, we need to be prepared for hurricanes, wild fires and unmerciful heat waves. Experts tell us to gather supplies and prepare an action plan. They also say that how well we fare after a crisis depends on how well we prepare in advance.

Such preparation is essential at home and work. Our highly competitive health care industry also requires planning and preparation. The bottom line is: A plan is essential because if you don't have a plan, you're part of someone else's plan.

Planning and preparation can be tedious and time-consuming. Just the thought of them can send waves of tension across the shoulder blades. But because they're an investment that reaps considerable dividends, they constitute a way of life at Blue Cross and Blue Shield of Florida. Throughout the stories in this issue of *Perspectives*, you'll find a common theme of planning and preparation:

- Business Transformation is laying the foundation for our move from being a transaction-based company to a true managed care company that involves medical professionals and customers in our business process. In this issue, we take an in-depth look at Business Transformation, which encompasses key initiatives such as Virtual Office, and contract and product simplification.
- Despite the changes and fluidity of how Virtual Office is becoming a reality, its vision remains the same. While all Business Transformation components are vital to our success in the 21st century, VO is changing how we do business today.
- Our current share of the national book of business represents about a third of total corporate revenue, so the creation of a National Business Unit was a strategic move. Take a look at its plan for success.
- For several years, a major effort that is critical to our transition into the year 2000 has been going on behind the scenes. In this Q&A Interview, Nick Stam brings our planning, preparation and progress in dealing with Y2K to the forefront.
- Finally, in Bright Ideas, employees share what they have done to prepare for disasters such as a hurricane. Their candor might inspire you to ask yourself if you're ready to follow the Scout motto: Be prepared.

You are welcome to share your thoughts and suggestions. Our Blue Views voice mail number is (904) 905-3047. You can also email us your comments via "Blue Views," fax them to (904) 905-6638, or send them through interoffice mail to Corporate Communications, DCC 3-4. ■



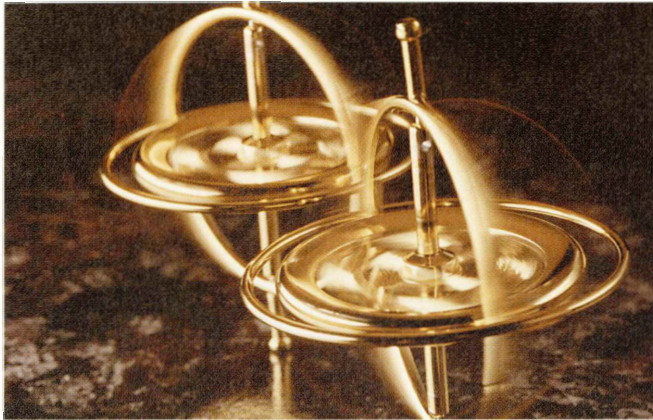
Because planning and preparation are investments that reap **CONSIDERABLE DIVIDENDS**, they constitute a way of life at Blue Cross and Blue Shield of Florida.

INSIGHTS

per **SPECS** tives Summer 1999

BUSINESS TRANSFORMATION

We're learning to look at things from an outside point of view and it's transforming the way we do business.



VIRTUAL OFFICE

This important piece of Business Transformation is beginning to differentiate us from competitors and give us a solid advantage.

NATIONAL BUSINESS

National Business Unit is a strategic move focused on strengthening profits.



INTERVIEW: NICK STAM

With the year 2000 a few short months away, Senior Vice President Nick Stam gives us an overview of how we're doing.



BRIGHT IDEAS

Are you prepared if disaster strikes?

SPECS

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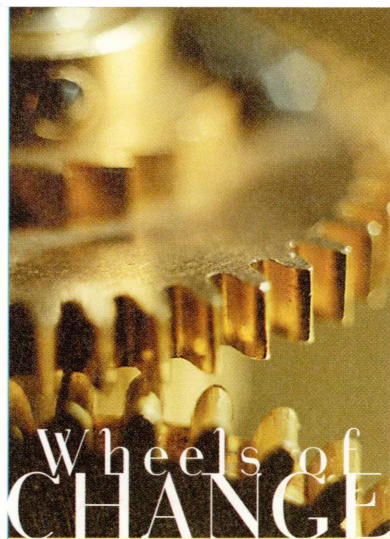
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BUSINESS Transformation

FOUNDATION
FOR THE
MILLENNIUM

As the new millennium approaches, the foundation is nearly in place for the company's transformation from a traditional insurance provider into the health care company of tomorrow.



FIVE STEPS TO TRANSFORMATION

1. Product Simplification
2. Contract Simplification
3. Information Management
4. Customer Information Integration
5. Virtual Office

IT'S AN ISSUE OF SURVIVAL, SAYS EXECUTIVE VICE PRESIDENT BOB LUFRANO, M.D., who is our Business Transformation sponsor.

And, it's about simplifying the basics of how we do business with our medical professionals and customers, and bringing them into the process, says Joe Grantham, senior vice president and one of the architects of change.

Plus, it's a natural progression in this competitive business environment, adds Dudley Mendheim, senior vice president, Capability Development.

BCBSF is building the foundation for its transformation through a series of steps, the first of which include simplifying health care products and contracts and streamlining the information systems and delivery. Officially, these initiatives are product simplification, contract simplification, information management, customer information integration and Virtual Office.

"Part of this whole transformation is saying we are going to take this company from a transaction company to a health care company," says Grantham. "It's sort of like I'm flying an airplane at 40,000 feet and discover I have to rewire it. Now I have two things I can decide. I have already determined that if I don't rewire it, I'm going to crash. The delicate part is, can I rewire it and not cause it to crash?"

That's where coexistence management takes the helm. The new BCBSF and its employees continue to provide health care service and support to more than 2 million Floridians from the Keys to Pensacola even as new products, systems and operations changes come online.

Plus, as customers buy into the new products and providers come online with VO and into the decision process, BCBSF literally is changing how it does business. In the past, when the company created products or established rules, they were internal company decisions, and then providers and customers were informed.

"We decided what was the right thing to do, then told the outside world to follow that," says Grantham. "As you extend yourself into the outside world and you ask them to participate with you in the decision making, then you are forced to look at things from an outside point of view. That's a very different approach for us."

We're still in the early stages of Business Transformation. "But," says Brooks Stone, vice president, Product and Program Development, "we are getting 'dangerously' close to some major milestones."

Here is a look at some of the changes as BCBSF "rewires":

Blue Care, the company's streamlined HMO products, rolled out officially July 1. Groups now have the option to convert to the new contract upon renewing coverage. At this time, conversion is optional not mandatory, says Barbara Benevento, senior vice president, Health Care Services. Our target is to convert 36% of our current customers by year-end.

Even before the rollout, clients bought into the new concept. The Mariner Group (1,200 contracts) and Staff Leasing (15,000 contracts) both signed deals in June.

Cindy Holland, the account manager who sold Staff Leasing on the new Blue Care, says, "It may not be exactly what they were looking for, but customers understand BCBSF's long-term strategy of providing effective and

CONTINUED ON NEXT PAGE



Contract Simplification

SIMPLIFYING STANDARDIZING CONSOLIDATING

It's all part of BCBSF's contract and product simplification initiatives, the next-generation of managed care that's designed to cut administrative expenses and streamline the product offerings. Under the old system, there were 2,800 variations of the HMO contract alone. That's been cut to 15, although there still will be nonstandard contracts to meet special needs.

With the new products, a benefit is defined consistently so that an injection is an injection regardless of the product involved.

efficient health care encounters for members."

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Limiting these product variations is essential to business, says Jack Conway, director, Health Care Services. "Things have to be simplified so that it can be translated online in a way that many different people can access and understand them."

With the new products, a benefit is defined consistently so that an injection is an injection regardless of the product involved, says Benevento.

"Before, in one product an injection might not be covered; in another product it could be a \$15 co-pay; and another might not have any co-pay," she says. "We are trying to make it simple for the customer, physician and hospital so they can understand our benefits and then apply them consistently."

Says Holland: "It's a matter of becoming more streamlined, more efficient. If you've ever read an insurer's benefit booklet, we can hardly interpret it much less the outside population. I believe the clearer and more concise we can be as an organization with our members and providers, the better off we are going to be over the next 30 years. With 15 years in the large-group market, it won't always be an easy sell, but it's the direction that we need to take."

More than 90% of our providers and facilities statewide have signed simplified contracts.

"Contract simplification, like product simplification, means simplifying, standardizing and consolidating, only in this case it's with our providers," says Stone.

The newest contracts include 12 of Columbia Systems hospitals in the Central GBU, as well as Shands Hospital in Gainesville and Miami Children's Hospital.

Although BCBSF had hoped to have 100% of its providers and facilities in the fold by July 1, that has been delayed as the company tries to hold down medical cost increases.

"Hospitals are having the hardest time signing new contracts," explains Benevento, "because when you open a hospital contract, they usually want a price increase. We are trying to get the (contract) simplification in place and also contain medical costs. It just doesn't make good business sense to close the contracts without regard to the costs."

As of June 1, customer information integration is complete. Member information is on a regular business membership system — RBMS — a platform that can be accessible to providers electronically.

"That means there is a common repository of information for our company to go look at when the doctor swipes your card through the machine or types in your contract number," adds Stone.

It's yet another aspect of building the infrastructure or capabilities that will work with e-commerce, adds Conway.

More than 2,000 physicians at about 125 sites and 23 hospitals are online

as the first stages of Virtual Office become a reality in the Northern GBU and in some areas in the Central and South GBUs, says Grantham. Which means that answers to eligibility, benefits and medical clearance questions are virtually at these providers' fingertips.

"We will incrementally build on that over the next two to three years," he adds. "It is just too big to do in one step, either for ourselves or the providers. We tried that and we backed away from that approach about a year and a half ago."

"VO is not just implementing a new computer system. It is truly changing the way we do business," adds Stone.

"The most exciting moment for me was actually seeing VO at one of our physicians' offices," says Benevento. "One doctor's staff couldn't say enough about what capabilities we had given to them. Without any prompting, she discussed VO and how easy it was to work with BCBSF."

"Our BCBSF patients are thrilled that they don't have to wait for a referral or for their insurance to be confirmed," says Isabelle Jones, former office manager for Guy Selander, M.D., a senior partner of Jacksonville Family Practice and the first physician to incorporate VO into his practice.

"Happier patients are much easier to care for," says Dr. Selander. "Their total perception of me and the care I give them is tied to how efficient or inefficient my office appears to be. Anything that smoothes out what appears to be a painfully long process helps my practice."

As part of the ongoing information management initiative, rollout of VO release 2.3.1 is slated for Oct. 4.

The release, which will affect primarily physician's offices in the NGBU and SGBU, will provide online referrals for physicians, online eligibility and added improvements for detailed benefit information.

"We think our Business Transformation strategy gets us to a new competitive level by fundamentally implementing this new business model. Claim adjudication is a big piece of this. When you walk out of Wal-Mart, you get a receipt with your Visa card and the transaction is over. But, that's not what health care is today. That transaction lingers on with bills and statements and all sorts of things," says Conway. "So if we can move the transaction to point of service — when you leave that doctor's office everything is done; you've paid your amount; the insurance company has paid their amount; and everybody is happy — there is an immense amount of value in terms of customer satisfaction. That's what our Business Transformation strategy means to me."

Implementation of 2.3.2, the claims-processing release, is scheduled for the year 2000. With 2.3.2, physician offices statewide will have the capability to do claims processing on-site. When members walk into the doctor's office and register, the office will verify eligibility; patients will see the doctor; the claim will be paid; and all issues will be settled before they walk out of the office.

It's slated for a gradual rollout, says Benevento, with system-wide completion in the next two or three years.

Says Lufrano: "This is a major milestone because it brings together con-

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"Employees who deal with our providers will begin dealing with providers only on an exception basis. We are thinking that 85 to 90% of claims will go through untouched. So you really take an employee who today is involved in adjudicating the basic claim and you elevate their work to being more of a problem solver in cases that need some sort of intervention."

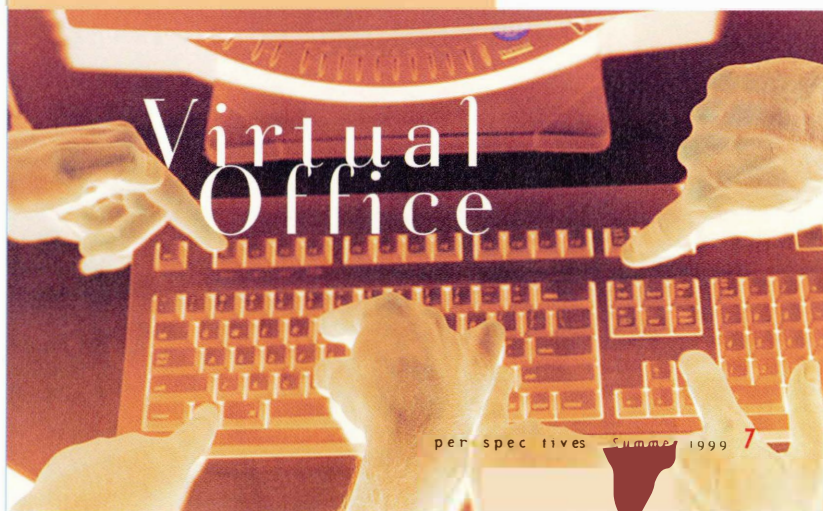
— BOB LUFRANO, M.D.

EXECUTIVE VICE PRESIDENT

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The timetable for product rollout includes:

BLUE CARE - large groups:

July 1

BLUE CARE - small groups - up to 50 employees:

Sept. 1

BLUE CARE - individuals:

4th quarter 1999

PREFERRED PATIENT CARE:

"Simplification process" for PPO products is under way; targeted Florida Department of Insurance approval expected in December, rollout in 2000.

POINT OF SERVICE - PPC Care Manager, Elect Care:

Currently evaluating timelines for simplification on product platform.

"Change is difficult. The key is we are getting ready for the new millennium.

The business world is changing dramatically, and we're trying to get ahead of that curve. It takes everybody's help and support in reaching out to try to solve the problems for our customers."

— BARBARA BENEVENTO

SENIOR VICE PRESIDENT, HEALTH CARE SERVICES

tract simplification, product simplification, the VO infrastructure, the other supporting initiatives to create something new and different in the community in the way that providers interact and conduct business with us. It is the first real test of bringing all the pieces together.

"For employees, 2.3.2 will mean a major step forward by our company in exercising its leadership in the health care market. I think it will be a clear, indisputable vision of where we are moving our company. Employees who deal with our providers will begin dealing with providers only on an exception basis. We are thinking that 85 to 90% of claims will go through untouched. So you really take an employee who today is involved in adjudicating the basic claim and you elevate their work to being more of a problem solver in cases that need some sort of intervention."

"The insurance business is a highly paper-oriented industry," adds Stone. "I would say that we are where the banking industry was in the '70s - we are bringing the health care industry into the 21st century. And it's a major step forward that to this point nobody has been able to pull this off."

As more new information management tools, like VO come online, BCBSF will get closer to real-time data interchange.

"Right now the information we are getting is optimistically 30 days and more realistically 60 to 90 days after the fact," says Stone. "We will be moving it into an environment where we will be looking at claims costs, service levels and other key indicators on a daily basis if we want to."

That will give the company the capability to review trend and payment information going forward, adjust care-management programs and drive product changes and innovations based on nearly real-time information.

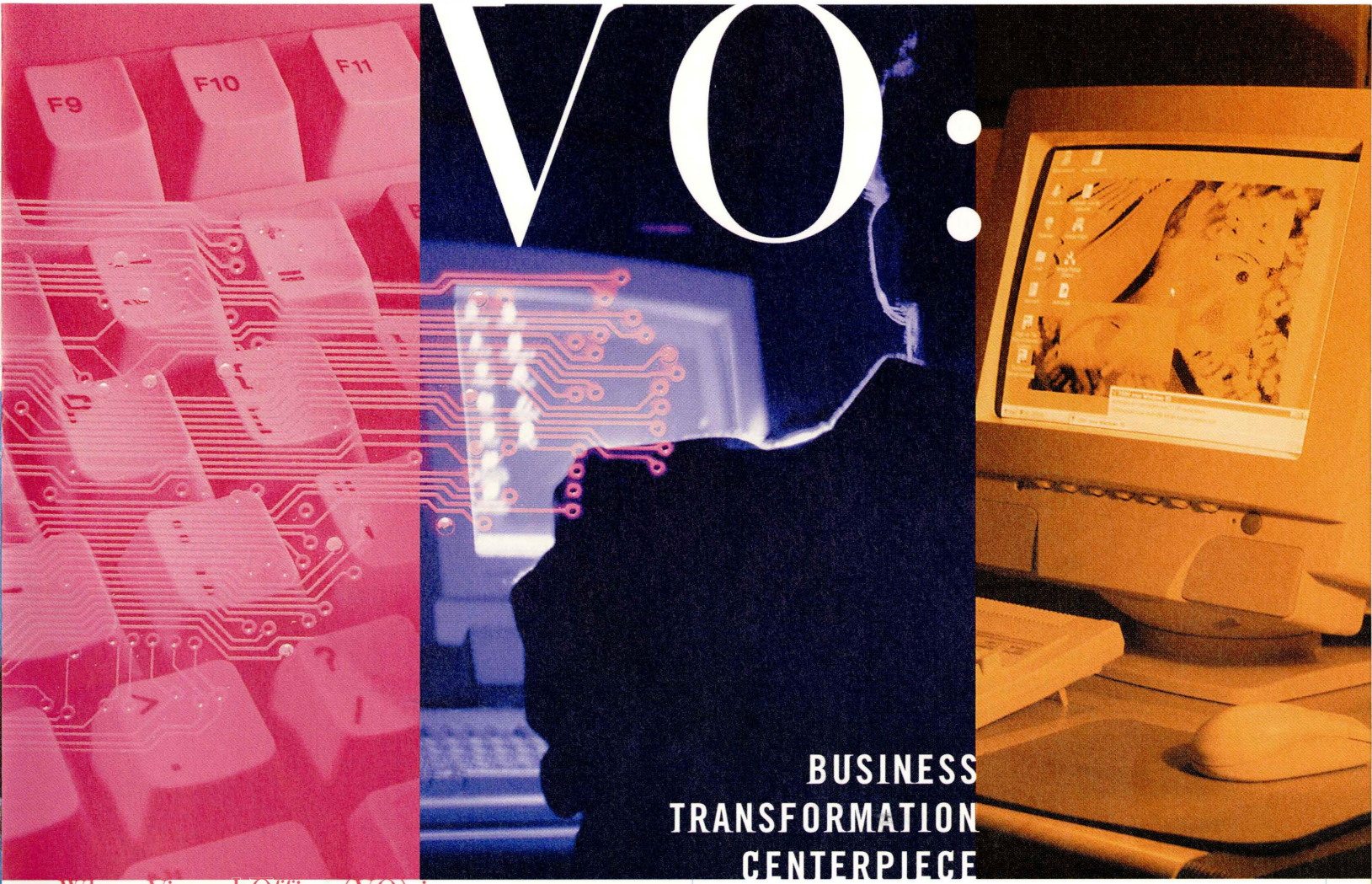
"I think we're getting very close to some very positive results and pay-backs," says Stone. "To me as an employee and especially somebody looking into the future for possibilities around new products, this opens up a whole new avenue of unlimited potential for the types of products and services we can provide our customers."

"For example, right now as an employee, I have a PPO health plan and a deferred savings account for out-of-pocket medical expenses. I have things paid by the PPO, and what the PPO doesn't pay, I turn around and submit it to get paid out of the savings account. Once we have this basic capability, there is absolutely no reason that we can't link those two. And it can happen automatically and instantaneously, so when I go to the doctor, what my health insurance doesn't pay, my medical savings account does."

A drawback to all this change, says Benevento, is as all this is happening and customers are moved to the new simplified products, the old system also continues. "The result is we have coexistence. As an example: A report that you might have used on the old Legacy system, now requires you to figure out the mechanism to get information. You kind of live between two worlds, the VO world and the Legacy system, until we migrate all our customers to the new system."

"Change is difficult," she adds. "The key is we are getting ready for the new millennium. The business world is changing dramatically, and we're trying to get ahead of that curve. It takes everybody's help and support in reaching out to try to solve the problems for our customers."

"We are in the early stages of Business Transformation," adds Grantham. "I don't think there is a company that has accomplished this in less than a 10-year period. And, I'm not sure there really is an end. If I looked at the pace in which industry has changed today, I believe we will transform to a certain state in which we have these basic sets of business processes and are performing within those. But I believe as the industry continues to evolve, we may have to add complete new sets of capability based on that industry change." ■



**BUSINESS
TRANSFORMATION
CENTERPIECE**

When Virtual Office (VO) is designed, built and implemented, Blue Cross and Blue Shield of Florida will have created a capability that no other competitor has ever attempted. The central component of our overall Business Transformation effort, VO is the largest initiative we've ever undertaken. It's innovative, multidimensional and cutting-edge – and it will ultimately transform the way we do business.

THROUGH VO, WE'RE PROVIDING INSTANT ACCESS TO INFORMATION, SIMPLIFYING AND STREAMLINING administrative processes, and reducing laborious paper work. Simply put, VO will help us improve relationships with providers, the efficiency of our operations, and the health care experience of our members.

"The only way we can truly help providers, and ultimately improve service to members, is to have real-time, instant communications with providers," says Dudley Mendheim, senior vice president of Capability Development. "It's too late after services are already provided. We need to have prospective rather than retrospective communication."

While other competitors have developed some individual capabilities VO will offer, none has developed an initiative of this magnitude that redesigns the entire health care process.

"We have a window of opportunity because none of our competitors is near us now," says Pat Haley, vice president of VO rollout and implementation. "We're 10 feet from the top of the mountain, but the last 10 feet is at a 45 degree angle."

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“Rather than trying to change the existing culture of BCBSF, we created a stand-alone unit that will start a new culture for the organization. We’ll then migrate the current organization to the new culture.”

— PAT HALEY

VICE PRESIDENT, VO ROLLOUT & IMPLEMENTATION

Changing COURSE, not direction

Since this is the first initiative of this scope, there are no textbooks or benchmarks to guide the process. We’re forging new territory and encountering both anticipated problems and unexpected challenges. To overcome these obstacles, we’re continually refining and adjusting our course to bring VO to market as quickly as possible.

“An effort like VO is time consuming and difficult,” says Mendheim. “We haven’t changed what we want to do, we’re doing what needs to be done to get there.”

According to John Slattery, director of VO communications, the company has historically worked on smaller projects that were easier to plan and less dependant on both internal and external support.

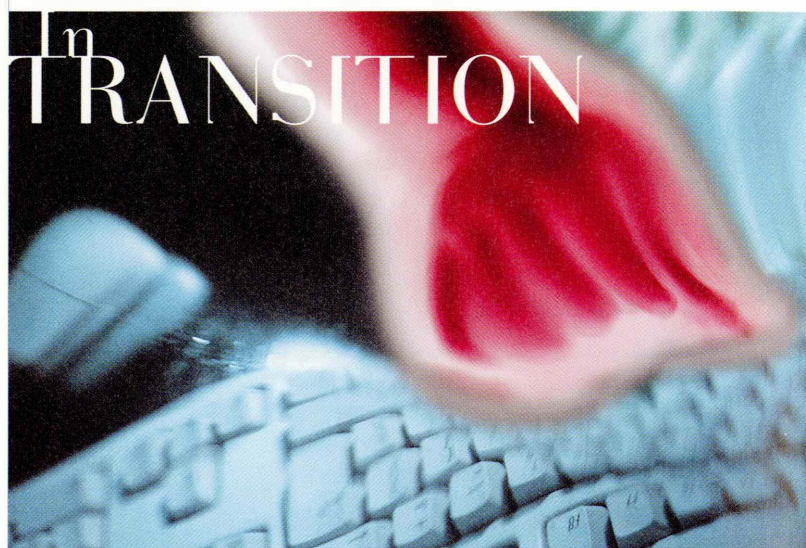
“With VO, we have to continually evaluate both internal and external factors that affect the initiative as well as the feedback we receive from providers and make whatever changes we need to ensure success,” says Slattery.

Consequently, some aspects of VO have been and continue to be in flux. For example, the area is still searching for the best structure and partnerships and most cost-effective ways to deliver the greatest business value to the company, providers and members.

There have also been some revisions in VO’s rollout strategy. Initial plans called for VO’s capabilities to be developed, grouped and implemented in a series of five releases. Provider feedback led to modification of that strategy.

“After we rolled out Release 1, we learned that providers wanted more detailed eligibility and benefit information,” says Slattery. “We developed sub releases so providers could have the capabilities they wanted more quickly instead of waiting until we developed all of Release 2.”

Another change in the rollout strategy involves giving providers options to access VO. Initially, VO was available only through providers’ practice management systems (PMS). But waiting for 1,500 PMS vendors to codify their systems so they were VO compatible was hindering the rollout of VO. To overcome that obstacle, we developed PC access to VO through a specially secured BCBSF web site. We’re currently looking for additional ways to capture information that don’t depend on the involvement of PMS vendors.



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Key CHANGES will facilitate implementation

While some aspects of VO will remain fluid to adapt to challenges and feedback from providers, Mendheim says the following fundamental pieces will remain in place to support the development and implementation of VO:

A more robust program management approach is in place that provides a more organized, focused and disciplined way to deliver the end product. VO's governance process has been streamlined and day-to-day decision making authority has been delegated to those who are functionally accountable.

Support areas — such as Information Technology and Health Care Services — will provide dedicated resources that are crucial to VO's success.

A new, stand-alone business unit has been created to deliver this new way of doing business.

"Rather than trying to change the existing culture of BCBSF, we created a stand-alone unit that will start a new culture for the organization. We'll then migrate the current organization to the new culture," says Haley, who heads the new unit. "The unit has a very entrepreneurial, enthusiastic spirit and everyone is geared toward action. We can plan rigorously and solve problems and make decisions quickly so that we can work through changes that hit us all the time."

Haley, who reports to Barbara Benevento, senior vice president of Health Care Services, says the new culture will be based on a high-performance, team-based, flat organization.

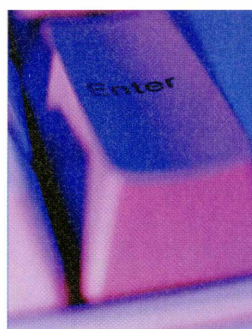
Charting NEW territory

Despite the changes and fluidity, the vision for VO remains the same.

At full build-out, VO will give physicians and hospitals direct and instant access to information on member eligibility and benefits, enable real-time submission and settlement of medical clearances and claims, and deliver electronic remittances and funds transfers to physicians and hospitals. In addition, providers and hospitals will have a single point of contact at BCBSF — a provider-focus team that will resolve problems or exceptions.

These capabilities will streamline the administrative process that can take up to 70 days. When VO is fully implemented, that same process can be completed in just two days.

"VO is the right thing to do, and we're making progress as a company because of it," says Mendheim. "It will differentiate us from our competitors and give us a solid, sustainable competitive advantage." ■



Significant STEPS

Virtual Office (VO) is being rolled out in a series of releases as capabilities are designed. Release 1 — which provides online eligibility and benefit information and medical clearances — is currently available in many areas of the state. (At press time, 3,966 physicians and 38 hospitals were using VO.)

"Every month we're adding new providers at an accelerated pace, but we're just scratching the surface right now," says Pat Haley, vice president of VO rollout and implementation. "I expect to see a rapid increase in the number of providers using VO after the first of the year when providers have their Y2K issues resolved."

Enhanced eligibility and benefit information will be available when Release 2.3.1 is rolled out this fall. Release 2.3.2 — which includes online HMO claims processing — will be rolled out next. It's anticipated that by 2002 we will process most products through VO.

National Presence:



WITH MARKET LEADERSHIP AS ONE CORNERSTONE OF OUR CORPORATE DIRECTION, IT'S IMPORTANT to provide products and services that increase our customers' access to care, help them manage their care and make it easy to use.

With that in mind, Blue Cross and Blue Shield of Florida closely examined how to increase our share of national business, which makes up a significant portion of the market. Many groups have headquarters outside the state of Florida, or they have headquarters here but have large numbers of employees outside the state. These groups are part of the national book of business. Our current share of the market represents about a third of total corporate revenue.

To effectively grow this part of the market, we created the National Business Unit or NBU earlier this year. The NBU is designed to help us continue and accelerate profitable growth, effectively position us with other key Blue Plans and the Association, protect and strengthen the Blue brand in Florida, and protect our right to an exclusive territory in Florida.

Tom Albright, senior vice president, National Business Unit, believes that the unit will help us to be more competitive in acquiring and retaining national business.

NATIONAL BUSINESS UNIT

The NBU is designed to help us continue and accelerate profitable growth, effectively position us with other key Blue Plans and the Association, protect and strengthen the Blue brand in Florida, and protect our right to an exclusive territory in Florida.

"We have determined that an overall trend for businesses here in Florida and across the country is consolidation," says Albright. "In order to provide coverage for these customers and grow national business, we need a corporate strategy that will effectively support businesses that span Blue Plan Service areas. The National Business Unit will give us an opportunity to focus on the issues involved with acquiring and managing national accounts and give us a long-term competitive advantage."

The unit also will play an important role in monitoring our status among Blue Plans and will help protect our Blue brand identity.

"We identified a number of issues relating to our status in the Blue Cross system of plans — how we manage national accounts and national programs, and what role we must play in protecting the Blue brand," says Albright. "The National Business Unit will allow us to focus on these issues and make sure that we are working well with other Plans to grow profitable business."

Formed in January 1999, the unit's organizational structure and business plan are still evolving. As an extension of the corporate reorganization strategy, the unit is being built on the shared services model. The unit will act as a business unit within the company, purchasing services from other areas within the corporation as needed.

According to Tony Hubbard, vice president of the National Business Unit, the unit is committed to finding better ways to service national accounts with and through other Blue Plans.

"By putting more focus on the needs of national accounts and becoming more involved with other Plans in the Blue system, we can be a conduit for information about what's going on in other Plans," Hubbard says. "We can identify areas that are not working and find the resources to solve issues before they cause problems for our customers or other Plan members. Since our experience indicates that issues in the national arena are predictive of issues and trends that we will face in Florida, one focus of this unit will be to help the organization understand and plan for change rather than react to it."

The NBU will be divided into three functional units:

- NBU Business Management reporting to Hubbard;
- NBU Sales and Marketing reporting to Keith Coker; and
- NBU Special Relationships Management reporting to Fabian Fuentes.

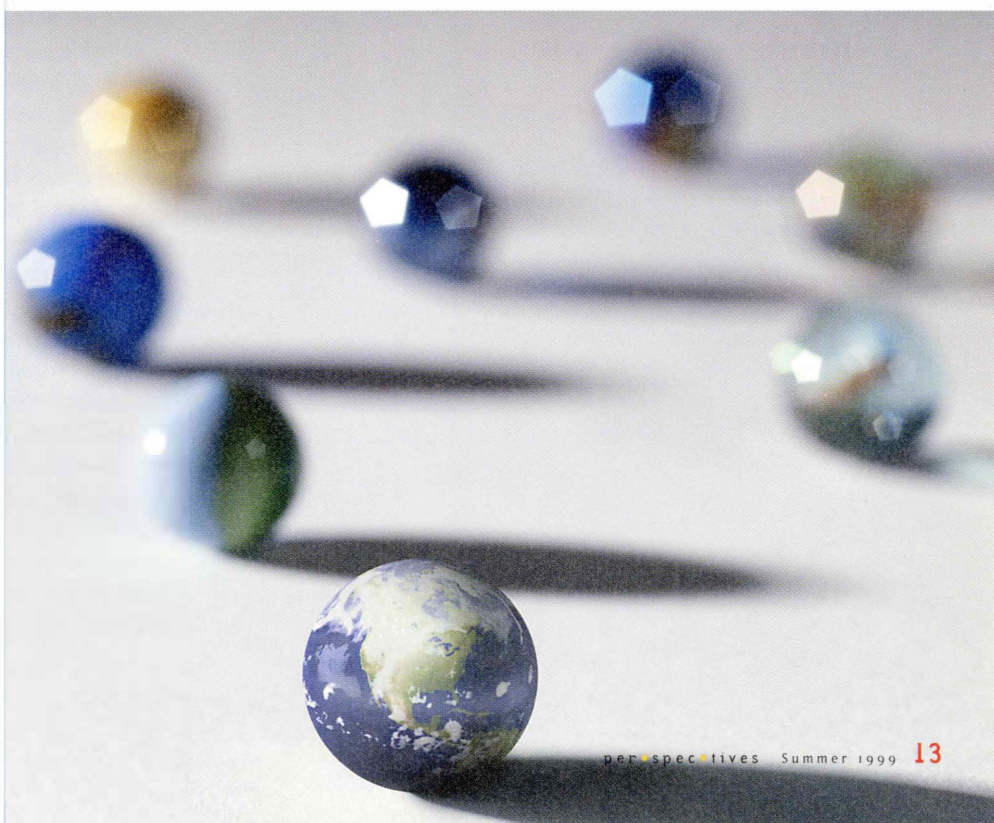
National Operations, headed by Darnell Smith, will report jointly to Tom Albright and Larry Payne, senior

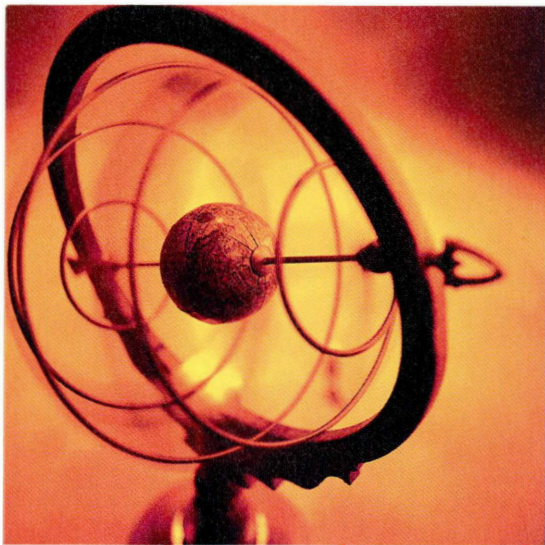
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— TOM ALBRIGHT

SENIOR VICE PRESIDENT, NATIONAL BUSINESS UNIT





“Creating this type of focused unit is exactly what we need to do to develop our national business. In the past we have missed many opportunities to learn from other Plans on the national side. Now we can bring real-time solutions to the table and implement changes quickly to effect our business and increase our profits.”

— TONY HUBBARD

VICE PRESIDENT, NATIONAL BUSINESS UNIT

vice president of Operations.

These functional units will work closely together to:

- build a strong working relationship with other Plans and position our Plan to play a key role on committees at the Association level;
- spend time with other Plans to work out issues and conflicts between the organizations;
- build relationships with national accounts and work with consultants to assess customer needs; and
- work to resolve operational issues that create problems for accounts and other Plans.

The vision of the National Business Unit is to position the Florida Plan as a top-performing Plan as it relates to national business.

“We want other Plans, the Association, providers, consultants and customers to know we are a top Plan and we are administering the national account business very effectively,” says Albright. “Achieving that type of positioning will support our corporate objective of market leadership.”

Creating a unit that is committed to national business will be better for the customer, the PAR and Control plans and will make it easier to pursue national business, says Hubbard.

Also, by aligning ourselves with other key Plans to standardize care delivery and administration, the unit will help promote consistent delivery of care in the marketplace.

“Our strength,” Albright says, “is our ability to manage the quality and cost of care and provide consistency across the network of Plans. With the BlueCard program we have demonstrated how the Plans can provide seamless service and high quality care. As we further develop relationships with other Plans, we will be creating a competitive advantage for each other and the brand overall.”

Ultimately, the unit paves the way for key plans to come together to create new ideas, programs and solutions to deliver better products and services. According to Albright, the future will involve Plans collaborating to help each other deal with issues such as illness management or claims adjudication. Such collaboration will significantly impact each Plan’s competitive advantage.

“Most importantly, the unit will allow us to take a leadership position among the group of key Blue Plans that are most involved with national business. We will be able to focus on sales, marketing and operational issues and work through these to improve our standing with national accounts,” says Albright.

In addition, there is a subset of the 50+ Blue Plans whose success is critically linked to national business. With that being the case, some Plans are sharing services to allow them to function more effectively in the national market, says Albright.

As the unit evolves, technology and resource issues will have to be resolved. An assessment of technical improvements, changes in processes and product enhancements is currently under way. The members of the NBU will be on the front lines and will give a “home” at the business unit level to make these needs a priority within the organization, says Albright.

Hubbard concurs: “Creating this type of focused unit is exactly what we need to do to develop our national business. In the past we have missed many opportunities to learn from other Plans on the national side. Now we can bring real-time solutions to the table and implement changes quickly to effect our business and increase our profits.” ■■



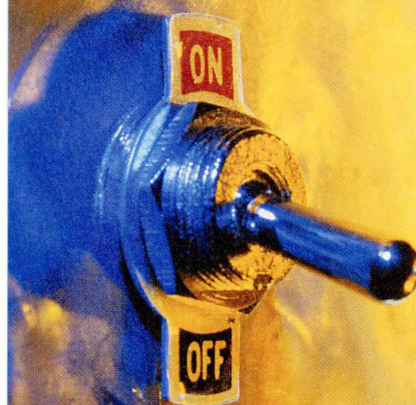
INTER

View

On

Y2K

WITH NICK STAM



QUESTION: *Everywhere we turn, the media is talking about the millennium bug or Y2K. In your own words, how would you describe Y2K? And will it bring the "doom and gloom" predicted by the media?*

Stam: Forty or fifty years ago when computers were invented and they started coding the date — the day, the month and the year — they made an effort to save storage because back then it was very expensive. They decided rather than to use four digits for the year, to use two digits because it was assumed back then that if you read 58 it was 1958.

So that was all good, but when we get to the year 2000 the last two digits happen to be zero-zero. The computer does not know whether the year is 1900, 1800 or 2000. As you have to make comparisons or multiply or divide in some circumstances, you run into all sorts of problems.

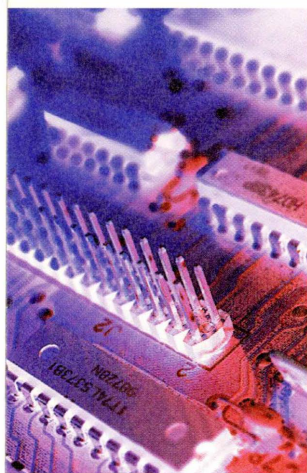
It's manifested in two ways. One is in the code. You have literally trillions of lines of code throughout the globe that has been written over the last 40-50 years. Just imagine how many of those dates are there. In our company, to give you an idea, we have 11 million lines of code that has been written by our staff that has to be looked at and fixed for the year 2000.

And the other place where it's manifested is in the microchips where the date is imbedded. So if you take the security system or the air conditioning, there are microchips where the date is half-coded. With the microchip, you have to actually replace it with a new one that has four digits for the year.

So our task is to first identify all of those areas where that date problem resides, whether it's in codes or in microchips. That's very difficult by the way. You're talking about 40 years now — so finding it is a pretty tedious, complex and difficult task.

The simple part is to fix it. But then once you fix it, you have to make sure you test it. Otherwise, how do you know you fixed it? So that's the sequence. Finding it, fixing it and testing it. The finding and testing — the beginning and the end of this process — is the tough part. The fixing part is very simple.

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Y2K problems are manifested in two ways:

COMPUTER CODE

There are literally trillions of lines of code throughout the globe that has been written over the last 40-50 years. In our company, to give you an idea, we have 11 million lines of code that has been written by our staff that has to be looked at and fixed for the year 2000.

MICROCHIPS

This is where the date is imbedded. With the microchip, you have to actually replace it with a new one that has four digits for the year.

QUESTION: *Will all of our software and hardware be ready for Year 2000?*

QUESTION: *So, what you're saying is that if the mission critical systems are up and running, there's no reason for us to suspect that it won't be business as usual come January 2000?*

QUESTION: *How is the process going?*

You mentioned "doom and gloom." Because this issue has been addressed repeatedly by the media the last four or five years, fortunately, a lot of large companies such as ours have taken it seriously and have invested time, effort and resources to address the problem. Similar to our company, other companies, institutions and governmental agencies have also taken the Y2K problem seriously. I personally do not feel we're going to have a doom-and-gloom scenario.

Stam: We're a highly automated, highly computerized organization. Because of that we have used a process where we are looking at what are the mission critical systems, the ones we have to rely upon to provide service to our customers. Those are the systems we want to have completed by July 31, 1999.

Can I tell you that every system that has been written or purchased or developed by everyone in this organization will be ready by the end of the year? I cannot sit here and tell you that. What I will tell you is that our plans are and our best efforts will be to address all of those systems. We're looking to have the mission critical systems done for our organization by July 31, 1999.

Stam: That's exactly right, as long as there are no problems outside of BCBSF that are beyond our control.

Stam: Fortunately, we started addressing the Y2K problem back in 1995, so we have had some time to work on this. You can imagine the complexity of this project. And it's not just the internal system we're dealing with. We have to look at what our critical vendors are doing. We have to check on them, and we have to create contingency planning. It's a massive process. Fortunately we have made progress so that I can sit here and tell you that we expect to have mission critical systems ready by July 31, 1999.

I will also tell you it has taken an awful lot of effort by an awful lot of people and not just people in the I/T organization. This is truly a company-wide effort. We have assembled teams and workgroups throughout the organization. In terms of awareness alignment and commitment to getting this done, I'm very pleased at how people have come together to meet the challenge that we face.

Y2K PRIORITIES

In its approach to "find, fix, test" computer codes and hardware to prepare for Jan. 1, 2000, BCBSF's Y2K team prioritized its work into four categories: the mainframe computer system, the desktop computers, the networks, and infrastructure systems.



MAINFRAMES

The mainframe system is critical to our business. Located in ROC in downtown Jacksonville, the mainframe primarily runs all our mission-critical systems, such as membership and billing, claims processing and financial systems. The Y2K team is working on all mission critical systems with a completion goal of July 31, 1999.



DESKTOPS

Another priority is the desktop hardware and software employees use on their desktops. The Y2K team has to make sure that the PCs are Y2K compliant, as well as all the software that is running on your PC, such as Excel and Word. Senior Vice President Nick Stam sent out a memo in the spring

explaining our move to the Common Office Environment version 4 (COE V.4) so they will all be Y2K compliant. He also requested employees to inform the team of any other mission critical applications on their desktop not yet identified so they can be included in the inventory of items for "remediation." Employee assistance is important in this task because some departments have purchased or developed applications of their own. The Y2K team is assigning resources to fix them based on criticality.



NETWORKS

Third, the team is looking at the networks such as telephones, video and voice/data networks that connect our offices throughout the state as well as customers and providers.



INFRASTRUCTURE

The fourth category — the infrastructure — involves systems we take for granted such as elevators, security systems, air conditioning and the sprinkler systems.

QUESTION: *We have many external dependencies in our business — hospitals, physicians, banks, consultants — do you anticipate issues arising from those?*

Stam: In terms of industries, the finance industry is the best prepared. They started early and they are the best prepared to address the Y2K problem. Interestingly enough, the medical delivery industry, such as the hospitals and physicians, was one of the least prepared. One of the big problems is they have a lot of equipment with imbedded microchips in that equipment. So whether it's the ventilators or CAT scans or what have you, they have imbedded chips, and have to go into there and change those chips or replace the whole machine. The challenge was not as much as the lines of code, although they have that too, as it was looking at all those machines. Fortunately, the last year or so, through the efforts of the American Medical Association, the Florida Hospital Association, and HCFA, we have seen tremendous progress made on the part of our providers. I feel much better today in terms of the progress they have made than I did six months to a year ago.

QUESTION: *We understand that for systems needs, employees must take an extra day off at New Year's. Are there any other impacts to employees that you anticipate?*

Stam: We have asked our employees either to take a vacation day or a floating holiday, and the main reason for that is to allow us more time. When we bring the systems down, we have to create back-ups. We just want to make sure before we open again on the fourth that we have done all the last preparations to start the New Year.

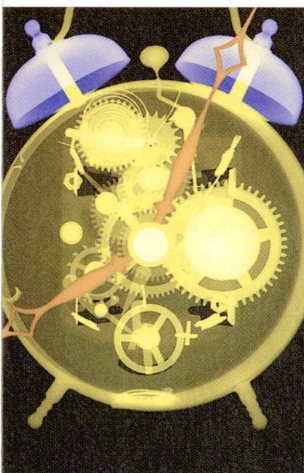
We will have a number of people working, obviously, so not everybody is going to take that day off or that weekend off or that Monday. We will have technical people who will be working throughout that weekend. We will be asking certain people from the user community to also come and help us with activities that will be going on during the weekend.

As far as the payroll is concerned, the Thursday before the New Year (Dec. 30) is a payday. That will leave us two weeks after that, in case something happens come New Year, to fix problems before the next payday.

QUESTION: *What can employees do to help?*

Stam: Y2K is not something just for technical people to be concerned about. This is an issue that requires everybody's involvement both personally and professionally. We will be asking employees before they leave to make preparations on their desktops. There will be communications on how to do that. What I would like for employees to do is be aware. We are preparing extensive communications for the remainder of the year on what

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WHAT EMPLOYEES CAN DO TO HELP

MAKE PREPARATIONS ON DESKTOPS

There will be communications on how to do this.

BE AWARE

We are preparing extensive communications for the remainder of the year on what we're doing to prepare for the millennium. Employees need to read those communications.

COMPLY WITH Y2K TEAM REQUESTS

If there's a request for to do something, such as identifying software, cooperate.

QUESTION: *What is BCBSF's best case scenario regarding Y2K?*

QUESTION: *What is BCBSF's worst-case scenario regarding Y2K?*

QUESTION: *What do you see is the greatest challenge surrounding Y2K?*

QUESTION: *Preparing for the change of the century. This is an event that only happens once in a person's lifetime.*

QUESTION: *What will you be doing to celebrate this new millennium?*

we're doing to prepare for the millennium. Employees need to read those communications. Most importantly, if there's a request for them to do something, such as identifying software or any other request from the Y2K team, I would ask them to cooperate. It's a company-wide effort. It will take the collective effort of all employees to make this successful.

Stam: We'll all be here Jan. 4 wishing everyone a Happy New Year and it's business as usual.

Stam: I could paint a very bad case — the doom and gloom scenario — but I don't see that as a likely scenario. Something is bound to happen. Your VCR may not work, some traffic lights may not work. But that happens every day. I expect to see similar kinds of things, perhaps at an increased rate.

Stam: Because we recognized it as a big effort back in 1995 and have invested time, money and resources, we have the greatest challenge behind us. That is to identify all those areas, fix them and go through the testing, and then prepare the whole organization with communication and adequate planning and preparation to get ready for the change of the century. That didn't come easy. It required significant effort on the part of a lot of employees around the organization. I'd like to take this opportunity to thank all of them for the many, many hours and dedicated effort on their part to get us where we are today.

Stam: Yes, I won't be here to prepare for Y3K!

Stam: Hopefully I'll be with my family as well as with the dedicated Y2K team that's going to be here to make sure that we are ready for the change of the century. So, I'm hoping to be with my family to celebrate the new millennium because that's the century my children will come of age. I want to make sure we enter into the new century in a way that we do not create any liabilities for our children. For our children it's the next century that counts.

That's what I'm trying to do by having this company prepared to continue providing health care services to our customers and hopefully have my children fully prepared for the next century. So, I'm going to be with my family and my team. ■



Bright IDEAS

Florida summers harbor thoughts of lounging by the pool or combing the beach for seaside treasures. They also bring the threat of hurricanes, fires, thunderstorms and tornadoes, calling to mind the question:

What have you done to prepare your home in the event of a crisis such as a HURRICANE STRIKE?



ELIZABETH MOORE

PROVIDER CONTRACTING REPRESENTATIVE, NETWORK MANAGEMENT & DEVELOPMENT, PENSACOLA

Having lived in a piling home on the water during hurricanes Erin and Opal, I now prepare for a hurricane differently. I certainly have new respect for the damage that can be done by the force of water.

We stayed in our home during Erin in August 1995, and I thought I was prepared — I had radios, batteries, flashlights, water, etc. But I soon discovered that I wasn't prepared enough. A tornado spawned from Erin shattered a shower stall inside the house. We lost about 27 trees, windows were damaged, and the roof leaked.

With Hurricane Opal in October 1995, we did not stay in our home. We turned off the power, gas and water prior to leaving and secured our boat with heavy chains and padlocks. It was three days before we could return to begin "clean-up." We found the boat in the surrounding woods and 5 feet of water underneath our home.

Even though I no longer live on the water, I begin in June to purchase drinking water (double the recommended amount per person), battery supplies, and plastic to cover the furniture in the event we have to evacuate. I also make certain that all of our important papers and pictures are centrally located to take with us. If you need to deal with children's or elderly parents' belongings, medication, etc., keeping them in one place can make the job a lot easier. Escape routes depend on where the hurricane is predicted to hit land, but we have several places with family or friends that we can go, if necessary.

MARTHA GARCIA

SERVICE MANAGER II, "300" MEMBER SERVICES, SOUTH FLORIDA

After the lesson that Hurricane Andrew gave South Florida, sometimes you may feel that there is nothing that can be done. But after our family experienced this, we have done the following to ensure that we are prepared for the next time:

- Family is job one. I make sure that all of us are safe in a designated location.
- We make sure we have enough supplies (food, water, clothing, batteries, battery-operated radio and flashlights).
- We've made sure to keep important papers together for the aftermath (i.e., insurance documents, titles, etc.).
- Lastly, we help others help themselves. Sometimes we forget others are not as prepared or as able as we are to help ourselves. Our family tries to help out in the neighborhood so others can be safe, too.

RENE' FINLEY

DIRECTOR, I/T STRATEGY & ARCHITECTURE

When I was first asked to respond to this question, I was somewhat embarrassed because I usually take such pride in being organized and prepared, but I must admit, in this case, I am not.

Having lived in Florida most of my life, the annual "hoopla" around hurricane season is much like the fable of the boy who cried, "Wolf!" However, as I sit back and begin to think through this issue and admit to my lack of preparation, the magnitude and reality of not being prepared is hitting home. I think it is time I get prepared! ■

Top-Notch Eye Care

The anxiety had been building for a full week and now it was time. In the middle of the night, Pam Fears awoke her young son, Codey Sheffield, to get ready for another long journey to Miami.

Codey, who recently turned five, is a retinoblastoma patient. At 18 months, the extremely rare form of pediatric cancer claimed his left eye. Six months later, doctors found two more tumors growing in Codey's right eye. Fortunately, surgeons at the Bascom Palmer Eye Institute at the University of Miami School of Medicine — one of only five eye centers in the country with specialists who treat retinoblastoma —

were able to freeze the tumors using cryotherapy.

Today, as they do every several months, Codey, his mother and his stepfather travel to Bascom Palmer, rated the nation's best eye hospital, to make sure the tumors have not reappeared. Codey undergoes anesthesia while his surgeon and ocular oncologist, Timothy Murray, M.D.,

examines the right eye using photography and ultrasound imagery.

The report from Dr. Murray: "He's doing great; there's no viable tumor." And that encouraging news continued this past March when the physician pronounced a similar finding. In fact, he says Codey doesn't have to come back for six months.

"At this point, the likelihood of him ever again having a problem from cancer in his eye is almost zero."

Parents with children who need specialized care such as Codey's should not be troubled with additional worries over health care coverage. But Pam Fears did worry when Codey's biological father switched to Health Options more than two years ago. Her concerns were unfounded. Those who offer Codey such quality and compassionate treatment, including Orlando pediatrician Raymond F. Caron and ocular oncologist Timothy Murray, are part of the Health Options network. The eye institute is in the Health Options network, as is Boca Raton ophthalmologist Scott Garonzik, who fits Codey with left eye prostheses.

Before Health Options, the paperwork was overwhelming for Codey's mother. "They would deny this, deny that," she recalls. "Once Health Options found out about Codey's condition, they were very supportive. Now we don't have to worry. Everything just zooms right through."

Codey has adapted well to his condition, occasionally enjoying the role of pirate with a patch over his left eye. While the youngest, he's also the uncontested video game champ in a Brady Bunch household of six children. Codey may have the use of only one eye, but, "He's a tiger on the tee-ball fields in Deland," says his mom.

